

A testimony before the Subcommittee on Government Operations, Committee on Oversight and Government Reform, House of Representatives

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What GAO Found

The Department of Defense (DOD) has never achieved an unmodified (“clean”) opinion on its financial statements. Over the last 30 years, DOD’s auditors have issued thousands of notices of findings and recommendations and identified associated material weaknesses. In recent years, DOD and its components have made some progress in their remediation efforts by achieving important milestones. For example, the Marine Corps first achieved a clean audit opinion for fiscal year (FY) 2023 and has achieved a clean opinion each subsequent year. DOD’s financial statement audits and related efforts have also resulted in a range of benefits, including cost savings and avoidances, improvements to systems, and enhanced visibility over assets and inventory. These benefits, in turn, support improvements to operations, enhancements to DOD’s overall readiness, and warfighter priorities.

After decades of unauditible financial statements and 8 years of undergoing full scope financial audits, DOD is taking a revised approach to achieve its goal of a clean audit opinion by the end of 2028. DOD revised its approach after the DOD Office of Inspector General (OIG) issued a disclaimer of opinion on DOD’s financial statements for FY 2025, meaning that DOD was unable to provide sufficient evidence for DOD OIG to form an opinion. The revised approach includes centralizing coordination, placing increased emphasis on investing in technology (including artificial intelligence), and ensuring evidence supports material account balances, rather than relying on underlying internal controls for producing reliable data.

DOD’s Revised Approach to Achieving a Clean Audit Opinion by the End of 2028

Previous approach included	Revised approach includes
Decentralized response (bottom-up)	Centralized coordination (top-down)
Focus on correcting control deficiencies	Focus on material line items
Reliance on internal controls	Manual testing of large samples and using artificial intelligence tools, as needed

Source: GAO analysis of DOD documentation. | GAO-26-109115

DOD’s renewed focus on auditability is encouraging. However, questions remain about how the revised approach will address DOD’s other longstanding financial management issues and challenges. These include transparency and accountability in audit remediation (monitoring efforts to address overall audit findings); key IT and other material weaknesses; fraud risks; availability of trained financial management resources; and sustainability beyond 2028. These are important for DOD to consider in undertaking its revised approach.

Furthermore, this effort is likely to be labor and resource intensive and has important tradeoffs and risks. For example, under this approach, DOD would not prioritize remediating key internal control deficiencies for at least the next 2 years. Addressing these deficiencies is critical for producing reliable, useful, and timely financial information for decision-making. Stronger financial management could help DOD address critical issues such as unfunded priorities, ensuring it spends its funds appropriately, mitigating its fraud risks, and improving operations and readiness.

Why GAO Did This Study

DOD spends over \$1 trillion annually to provide the military forces needed to deter war and to protect the security of the United States. DOD’s spending makes up almost half of the federal government’s total discretionary spending, and its physical assets make up about 82 percent of the federal government’s total physical assets. For FY 2027, the President has requested \$1.5 trillion for DOD, a 44 percent increase from FY 2026.

DOD’s inability to achieve a clean audit opinion is one of three major impediments preventing GAO from expressing an audit opinion on the U.S. government’s consolidated financial statements. DOD obtaining a clean audit opinion is important for ensuring that its financial statements and underlying financial management information are reliable for decision-making. DOD’s financial management has been on GAO’s High-Risk List since 1995. In 2025, GAO expanded DOD’s financial management high-risk area to include fraud risk management.

This testimony discusses (1) DOD’s recent audit progress, realized benefits, and ongoing challenges; and (2) questions and important considerations as DOD implements its revised approach to achieving a clean audit opinion. This statement is primarily based on GAO’s related body of work from 2020 through 2026; details on GAO’s methodology can be found in each of the reports cited in this statement.